

**Testimony of  
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before  
The House of Representatives  
Committee on Financial Services  
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Chairman Oxley, Ranking Member Frank, and Members of the Committee, on behalf of the National Flood Insurance Program, administered by the Emergency Preparedness and Response Directorate of the Department of Homeland Security, I welcome and appreciate the opportunity to appear today before the Committee on Financial Services. I will focus my testimony today on the issues of risk reduction that directly relate to the National Flood Insurance Program and the Map Modernization Program.

Before doing so, I want to particularly thank you, Mr. Chairman, Ranking Member Frank, and others on this Committee, for your leadership in resolving the recent authorization issue for the National Flood Insurance Program. Through your efforts, we were able to maintain operations and service to the 4.4 million policyholders, and the lending and real estate industries, that rely on the National Flood Insurance Program for protection from flood losses.

Mr. Chairman, I am happy to report that the National Flood Insurance Program, the largest single-line insurance operation in the country, is once again debt-free.

In June of 2001, Tropical Storm Allison battered the Gulf Coast and East Coast States. After the final losses were tallied, Allison had the dubious distinction of becoming our first billion-dollar storm, and we had to borrow \$660 million from the Treasury to pay for losses that exceeded our reserves. We have repaid that debt, with interest, as of October 2002. On the human scale, 30,000 of Allison's victims received claim payments from the National Flood Insurance Program rather than relying on disaster relief, proving again the value of the flood insurance program, which helps America recover from the devastating effects of flood.

The National Flood Insurance Program stands once again on solid financial ground as we begin a new era in emergency management.

As the Committee is aware, March 1<sup>st</sup> marked the start of that new era as 22 Federal agencies were consolidated into the Department of Homeland Security to serve the most fundamental mission of government: to protect our citizens from harm—from terrorist attacks to natural disasters.

Applying our collective expertise and resources to all the hazards that face our nation is an expectation of the President, Secretary Ridge, and the American people.

We, who administer the National Flood Insurance Program and the other natural hazard mitigation programs established by Congress, welcome this challenge. The creation of the Department of Homeland Security (DHS) offers us the opportunity to share our successes and the lessons learned from the National Flood Insurance Program and our other natural hazard mitigation programs and leverage them to address other perils.

This consolidation of agencies into DHS, therefore, focuses greater resources on protecting people and property from all hazards—natural and man-made.

As you know, the Homeland Security Act of 2002 was budget-neutral for the necessary start-up expenses for the new Department. With the authorization and approval of Congress, each agency moving into DHS made a one-time contribution from its unobligated balances from fiscal year 2002. This was done to avoid any burden on the American taxpayer.

The National Flood Insurance Program (NFIP) was no exception. We, along with other programs, contributed funding to cover the start-up costs from unobligated, remaining balances at the end of fiscal year 2002 from our Flood Mitigation Assistance (FMA) Program.

Many of our stakeholders and partners, including the Association of State Floodplain Managers, have voiced concern about this transfer of funds and whether it signals a shift in national priorities, or, at worst, a reduction of our commitment to serve those at risk in the nation's floodplains.

As we move forward within the new department, we are taking steps to enhance our mission to protect people and property from floods and other natural hazards. I want to assure this committee, the NFIP's partners and stakeholders, and those property owners at risk from flooding that our commitment to save lives and property under the NFIP is unwavering.

First, the President's 2004 budget request for the Department of Homeland Security accounts for the administrative needs of the Department so this is a one-time contribution.

Second, all eligible and pending mitigation projects that the States submitted at the time of transition **will be funded** with the balance of fiscal year 2002-2003 funds and with fiscal year 2003-2004 funds.

Third, we now have the new FY2003 appropriation, in which Congress provided \$149 million for the Pre-disaster Mitigation grant program, and reduced the set-aside for the Hazard Mitigation Grant Program (HMGP) from 15 percent to 7.5 percent of the projected Federal assistance for a major disaster declaration. The increase in pre-disaster mitigation funding offsets the reduction in the HMGP. The remaining FMA funds coupled with the increased funding for pre-disaster mitigation and the continued HMGP funding will provide multiple opportunities to fund mitigation projects. The \$149 million this fiscal year for pre-disaster mitigation will enable us to address our highest mitigation priorities, including repetitive flood loss properties.

To implement this competitive program, we are developing a national evaluation system using, in part, weighted factors to evaluate proposed projects. The factor that will have the most weight in the evaluation is the benefit-to-cost ratio for a project. We believe that many repetitive loss properties can be mitigated through this program.

On average, repetitive flood loss properties account for \$200 million in losses to the NFIP each year. Ten thousand of the properties we currently insure under the NFIP have had four or more insured losses, or two or three losses that cumulatively exceed the value of the building. We have paid out on these properties, over the past twenty-three years, close to one billion dollars in flood insurance claims. These 10,000 repetitive flood loss properties are the highest priority targets for mitigation in our repetitive loss strategy. This is reflected in our national evaluation criteria for pre-disaster mitigation grant projects.

Mitigating and insuring the highest risks also requires accurate risk assessment. That is why our Flood Map Modernization initiative is critical to our efforts to reduce the exposure of people and property to flood hazards. Modernizing our flood maps requires time and money. The funding appropriated in fiscal year 2003 will be added to the approximately \$50 million in funding from NFIP policyholder fees that contribute annually to the mapping program. This combination of funds enables us to initiate an approximately \$1 billion multi-year effort. The Administration's 2004 budget reflects that the job of map modernization will be a multi-year commitment of resources and proposes for fiscal year 2004 a \$200 million appropriation to modernize and digitize flood maps. As indicated in the Administration's 2004 budget request, additional appropriations must continue if we are to complete this important initiative.

We approach this multi-year effort with the certainty that to be successful we must leverage all of our partnerships—State, local, and regional entities as well as other Federal agencies and the private sector.

We have been working with our partners to prepare a comprehensive strategy for implementing the flood map modernization initiative. We have held interactive sessions

with other Federal agencies, representatives of State and local governments, and interested organizations.

These sessions with our stakeholders have been invaluable in helping define the most effective way of distributing the \$149 million in flood map modernization funding for FY 2003 and of prioritizing Map Modernization projects nationwide.

We are implementing a performance-based management system to accomplish this for fiscal year 2003 on time and within budget. There is a good reason for this: Results-based projects encourage stakeholders to be innovative and find cost-effective ways of delivering services. By shifting the focus from process to results, we will achieve better outcomes.

We are also aware that there are many States, communities, and other government entities such as flood control districts, and regional planning commissions that are capable of producing high-quality, cost-effective flood hazard data. This number continues to grow and many States and communities realize the value of investing in programs that save lives and reduce property losses from flooding. Our Cooperating Technical Partners (CTP) program has leveraged contributions from these capable entities, increasing the value of the dollars we have spent in these jurisdictions by 220 percent nationwide. We plan to build further capability and increase the number of partnerships.

Where there is such knowledge and capability, we intend to develop cost-effective partnerships that promote community “ownership” of these flood data as they are revised.

In addition, our Regional Offices, in anticipation of the launching of the flood map modernization initiative, have executed contractual agreements with qualified engineering firms to perform flood studies. Our Regional Offices are also seeking to identify other technical resources capable of producing flood studies, such as other Federal agencies. In determining what method will be pursued to generate updated flood hazard data, we will carefully evaluate the alternatives to ensure that the most beneficial approach is utilized.

A key component of the flood map modernization initiative is improving E-Government processes for flood hazard data creation and distribution. We will leverage a government-wide solution, the Geospatial One Stop, to enable easy access and exchange of flood hazard data through the Internet. Through the Geospatial One Stop, we will also provide tools that enable users to effectively use the information to make decisions to reduce vulnerability to flood risk. The geospatial nature of the data and the Internet delivery system will help facilitate not only the use of flood hazard data but also the sharing of it for the management of all hazards.

With the resources we have for this fiscal year for both mitigation projects and flood map modernization efforts, we can address our highest priorities.

The strategic thinking and planning we have undertaken for our fiscal year 2003 funds is setting the stage for future economies, bigger payoffs, and even greater accomplishments with the funding levels proposed in the President's 2004 budget.

Our efforts this fiscal year will reduce the number of people, property, and infrastructure exposed to flood hazards and other natural perils.

What we are doing this fiscal year to manage our natural hazard mitigation and flood map modernization efforts will also provide a platform for the Department of Homeland Security to secure the nation from the full range of hazards, natural and man-made.

And the NFIP shall do this through honoring our pledge to the American people and our stakeholders to reduce the exposure of America's property owners at risk from floods.

On the Emergency Food and Shelter Program, this vital program provides grants to non-profit and faith-based organizations at the local level to supplement their programs for emergency food and shelter. The President's 2004 budget includes \$153 million to meet immediate needs of the homeless and recommends that the program be transferred to the U.S. Department of Housing and Urban Development (HUD). The Department of Homeland Security supports this proposed transfer of responsibility and funding to HUD.

The proposed transfer would allow HUD to coordinate the Emergency Food and Shelter program with other Federal homelessness prevention and assistance programs. This transfer to HUD would also permit the Emergency Food and Shelter program to link housing and other services for the chronically homeless with other comprehensive services. The proposed transfer would also decrease the likelihood of duplication of services and allow scarce resources to be used most effectively.

In closing, I appreciate the opportunity to represent the Department of Homeland Security before the Committee on Financial Services. I am pleased to answer any questions you may have.